Testimony for the Connecticut General Assembly
SB 938: An Act Concerning Unemployment for Striking Workers
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Thank you, committee co-chairs Senator Kushner and Representative Sanchez and ranking members Senator Sampson and Representative Ackert, for holding this hearing today on such an important issue for leveling the playing field for workers in Connecticut.

Whenever I try to decide if a change in state law regarding unemployment insurance (UI) is a good idea, I look to the underlying principles of the program to determine whether the change meets the key goals of the program. In the case of providing benefits to striking workers, I strongly believe that it meets all these principles, and more states should include this key provision. In fact, I believe that not providing UI coverage for striking workers makes it harder for workers to participate in concerted activities that the majority of members in their shop have voted to support.

Unemployment insurance was included in the Social Security Act in 1935. On the heels of the Great Depression, the Roosevelt administration and Congress were keenly aware of the hardship that involuntary unemployment places on people, families, communities, and the economy. Unemployment insurance was—and still is—intended not only to alleviate individual suffering but also to provide wage stabilization by making sure that workers do not have to accept a position that is far inferior to their old job, ensuring that wages would not be driven down because of mass layoffs. The method of employer UI taxation, referred to as "experience rating," charges employers more as they lay off more workers, and is intended to serve as a means of layoff aversion. The program is also intended to provide macroeconomic stimulus during times of economic downturn. This last part is particularly important to keep in mind when we consider groups excluded from UI eligibility—it is not just individuals that suffer, it is their entire community and their regional economy.

People who have never been involuntarily unemployed can still thank the UI program for preventing any contagion of economic suffering when mass layoffs occur. This debt of gratitude was particularly high during the pandemic: as the International Monetary Fund (IMF) reports, every $1 paid in pandemic unemployment benefits generated $1.92 of local economic activity. Conversely, there is also a cost to communities when claimants cannot access benefits, denying them this multiplier effect. Finally, the program keeps workers attached to the workforce by requiring that claimants are able to work, available for work, and actively seeking employment.

Taken together, the explicit purposes of UI make a clear case for providing benefits to striking workers.

First, alleviating individual suffering when claimants lose work through no fault of their own is clear—when a worker's union calls a strike, the unemployment system should consider that person not at fault, particularly if the strike extends beyond a short period. Strikes inherently create a true economic hardship for workers who have lost all of their weekly income from what is usually their primary source. Workers do not make the decision to strike lightly. They do it because their backs are against the wall and they need to push hard for a sustainable future for themselves and their families. Providing them with the limited income replacement that UI supplies (less than 50 percent of prior income) does not disincentivize striking workers from serious efforts to reach agreement, but rather just gives them enough resources to feed their families and pay their rent.

Providing UI to people out on strike is the right thing to do for many reasons. People who are out of work without pay experience more than income loss. Loss of financial stability has mental health consequences. It can affect children in these families for years. Strikes are going to be difficult for workers whether they receive unemployment insurance or not, but the state can mitigate some of the harmful effects for these workers, their families, and regional economies by giving striking workers a lifeline.

Another key goal of the program, to ensure that periods of unemployment do not erode overall wages, is important to keep in mind. Wage stagnation or deflation reduces the quality of life for all workers. In a state with a concerningly large racial wage gap and an overall much larger than average pay gap between high- and low-income earners, it is clear that Connecticut is in need of tools to help raise incomes that are below the median. Making sure that workers who are on strike do not fall farther behind should be a tool in the economic policy toolkit in this state.

This brings us to the point about macroeconomic stabilization. The case here is clear—when there is a labor dispute in a community and a group of workers are all without income simultaneously, making sure that workers are not falling too far into economic hardship is good for all of the places where workers spend money locally. One need only look at the pandemic recession for an example of direct assistance to workers helping the economy recover from one of the worst shocks in recent memory. Employment fell by 20 million jobs in April 2020 leading to an unemployment rate of 14.7 percent, but two months later the U.S. economy had recovered 7.3 million jobs and the unemployment rate dropped to 11.1 percent—which is about how long it took to get new programs up and running and paying benefits.

States are currently allowed to have a UI program that is as generous—or as stingy—as they want it to be. Some states provide fewer than twenty-six weeks of benefits, that replace less than 30 percent of income, and fewer than fifteen percent of their workers even receive benefits. These stingy states do not have programs that will provide sufficient macroeconomic stabilization during an economic downturn. Connecticut has a reasonable system that provides modest income replacement of between 35 and 45 percent of income in recent years, and generally about 40 to 50 percent of unemployed workers receive benefits. To provide context, two past federal bipartisan commissions, the 1980 National Commission on Unemployment Compensation and the 1996 Advisory Council on Unemployment Compensation, recommended that UI programs should replace 50 percent of prior income.

Given that benefits in the state are very close to the national average, but the cost of living is relatively high, the weekly benefit amount in Connecticut should be adjusted upward. The Average Weekly Benefit Amount of UI benefits for the third quarter of 2022 in Connecticut was $397.26, which is in line with its neighbors Rhode Island ($385.22) and New York ($392.45), but is much lower than in Massachusetts, where it is $590.43. (The national average is $394.14.) We have learned a great deal during the pandemic about benefit level and incentives to return to work. A number of economists studied the question of whether pandemic benefits—even when they were greater than the claimant earned at their job—kept workers from returning to their jobs, and they found that there was little to no disincentive to return to work. During the pandemic, we had a real-life experiment on whether even higher than normal benefit payments from expanded UI had an effect on return to work when about half of states cut off pandemic benefits months before their expiration; the findings of that experiment were that workforce participation rates did not change differently in states that ended benefits early compared with those that did not. The lesson here is that workers want the stability of a steady, sustainable income. They like having employer-sponsored benefits. Prolonged labor disputes are in no one's best interest.

The unemployment system is also intended to keep workers attached to work. It is helpful for employers to retain trained employees whenever possible, and it is good for workers to maintain attachment to jobs they can perform well. A weekly unemployment benefit could keep workers on a prolonged work stoppage from having to go accept other work—which may involve working or moving out of the state entirely—to make ends meet.

One of the framers of the New Deal, New York Senator Robert Wagner, came from one of the handful of states that had a UI program before the federal one was passed into law. That program provided for payment for striking workers and was considered an example for how the federal law should work. It is clear that the framers of these policies wanted to be sure that states could pay benefits to any people that it deems to have lost work involuntarily.

If anything, a policy to not provide striking workers with unemployment insurance puts its thumb on the scale of telling workers that they are not involuntarily unemployed because they should be willing to cross a picket line. It is generally an allowable cause for quitting employment for an employee to refuse to work in a workplace that requires an agreement not to join a union, as the requirement of “yellow dog” contracts is not permissible. Following that line of reasoning, workers should be allowed to engage in concerted protected activities and provided the means to do so.

It is quite exciting that Connecticut could potentially join New York and New Jersey as a state that provides this core safety net protection for workers who are off the job due to a strike. This is what the unemployment insurance system is for—to keep workers afloat in an uncertain world. This legislation could help families and communities. I strongly urge the Labor and Public Employees Committee to report this legislation favorably.